LOCAL GOVERNMENT SERVICES DIVISION

Village of Alliance

Dissolution Study

August, 2001

Alberta
MUNICIPAL AFFAIRS

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Introduction:

Residents of Alliance presented a petition to the Minister of Municipal Affairs on January 26, 2001, asking for a dissolution study. The petition met the legal criteria for sufficiency identified in the Municipal Government Act (MGA).

As a result, Section 130 of the MGA requires the Minister of Municipal Affairs to undertake a dissolution study.

What is dissolution?

Dissolution occurs when a municipality gives up its legal status under the Municipal Government Act as an independent, incorporated municipality to become part of the adjacent rural municipality.

The Village of Alliance is an incorporated municipality. If the village were to dissolve, it would become a hamlet in the surrounding rural municipality of Flagstaff County. The county would then provide municipal services, administration, and governance to the residents.

What is a dissolution study?

The dissolution study process involves researching and writing a report for the residents of the village and the Minister of Municipal Affairs on the anticipated effects of dissolving Alliance.

The dissolution study looks at the municipal services, base financial information, and community issues in the village. The study also compares how the village provides services for its residents with how the county would provide services and address community issues for village residents.

Information for the report comes from a number of sources, including the municipal councils and administrations, the provincial government, service agencies, and residents in the community.

As part of the study process, Municipal Affairs staff met with the councils and administration of Alliance and Flagstaff to gather information. Municipal Affairs staff also conducted a meeting with the public to explain the process, hear concerns and gather information for the report.

What happens when the report is completed?

Municipal Affairs staff will hold a public meeting to present the completed report.

At the end of the process, the residents of Alliance will vote on the question of dissolution.

The results of the vote and the information in the report will assist the Minister in determining whether or not to make a recommendation to Cabinet to dissolve Alliance.

Village of Alliance's current situation:

Alliance was incorporated as a village on August 26, 1918. In its early years, the village served as a service centre for the railway and surrounding rural community. As the area developed, Alliance continued to grow as an agricultural and railway service centre for the region with a healthy commercial component, including grain elevators, grocery stores, hardware and implement dealers, post office and banking facilities.

In recent history, oil and gas resource development in the area brought new residents and support businesses to Alliance. However, in the mid-to-late 1990's, the oil and gas sector experienced a significant downturn and a number of residents and businesses left Alliance as a result.

The population of Alliance has declined by 23 percent since 1997. The sudden population decline from 220 to 169 occurred between 1998 and 1999. Indications are that the higher population of 220 was due to an influx of people during the oil boom. The population figures returned to present levels when the boom finished. Statistics Canada completed a census in 2001, but the figures are not yet available to determine if the population has declined, stabilized or is on the increase.

Today the village is still a focal point for community activities for village and nearby rural residents. The village commercial sector continues to provide services through specialized retail, banking, postal, grocery, restaurant, lodging and other establishments.

The municipality provides a range of services typical to small villages, including road maintenance, water, sewer, garbage, fire, and ambulance services. The village has a three-member council to provide governance and two full-time staff positions. It also hires part-time or seasonal personnel as required.

The majority of the village streets are gravel based with dust control topping. Railway Avenue is paved and the village paved two blocks of Main Street as well as 2nd Avenue from Main Street to Secondary 602 in 1999. The village plans to replace the existing dust control topping, change the intersection at secondary highway 602 to its original layout, and pave the access as resources become available.

The underground utilities in Alliance are of varying ages, the oldest being about 40 years old. At this time, the exact condition of the underground utilities is unknown. The village replaced a section of the water mains in the 1970's. Storm sewers were installed from 2nd Avenue to Railway Avenue along both sides of Main Street in 1999. A program to install curbstops on the water distribution system began in 1999. A major project commenced in 2001 to develop a new water source and pipeline to service the community. The expected completion of this project is the fall of 2001.

Alliance relies primarily on property taxes and the sale of water, sewer and garbage collection services to fund its operations. The audited financial statements for 2000 show the village had total revenues of $312,081, with $131,772 from property taxes. In 2000, the village had expenditures of $207,328, creating a revenue surplus of $69,850. The village allocated this surplus by transferring $40,000 to operating reserves, $16,000 to capital reserves, and using $10,120 to pay down the existing debenture principal. This left $3,727 in an accumulated surplus at year-end.

At year-end 2000, the village had cash and temporary investments of $170,148. The village finances are liquid in that the cash assets of the village exceed its liabilities. The village is able to balance current revenues and current expenditures and has sufficient operating reserves to cover its operations between tax collection dates without the need to borrow operating funds.

The village's assessment base is $5,581,150 for the 2001 tax year. Of the total village assessment, 48 percent is residential and 52 percent is non residential, which is reasonably healthy. The grain elevators and the CNR assessment account for $1,282,260 or 23 percent of the total village assessment base. Although the village assessment base remained relatively stable between 1999 and 2001, there was a significant shift in its makeup. During the period 1999 to 2001, non-residential assessment declined slightly, while residential assessment increased by $308,200 or about 13 percent. The increase in residential assessment means that the residential property owners are picking up a larger share of the tax burden in 2001 than they were in 1999. This can become a problem for the residents and council if the

trend continues or there is a significant loss of non-residential assessment.

Comparative analysis:

This section of the report compares the base financial information of Alliance with 20 other villages with similar populations.

Residential tax rate

The village's residential tax rate for municipal and school purposes has been consistently above the average for villages with similar populations during the period 1994 to 1999.

In 1999, the village's tax rate was 30 percent above the average rate of villages of similar size. A sudden 30 percent increase occurred between 1998 and 1999 when the village's residential tax rate rose from 27.7 mills to 36.1 mills. This was caused by a need for a 16 percent increase in property tax revenues collected, combined with a 13 percent decrease in the village's total assessment base. Even higher tax rates will result if there are any future increases in property taxes to meet the needs of the village or any further decrease in the village's assessment base.

Net municipal property taxes per capita

The net municipal property tax per capita is the municipal portion of the property tax divided by the population with the result expressed in dollars.

Since 1994, the village has consistently collected more municipal taxes per capita than the average for municipalities with similar populations. Between 1998 and 1999 the village's municipal taxes per capita increased by 51 percent. The 1999 average municipal taxes per capita was $443 for municipalities with similar populations and the village's was $935.

A decline in population of 23 percent, combined with a 16 percent increase in municipal taxes, was responsible for the spike in this factor. As of 1999, the village had the highest net municipal property taxes per capita of villages with similar populations and was the third highest of al villages in the province.

Debt per capita

This comparative factor takes the total long-term debt of the municipality divided by the population with the results expressed in dollars.

The amount of debt per capita for the village was marginally higher than the average for municipalities with similar populations between 1994 and 1999. Although the village debt per capita was higher than the average, it was well within accepted limits. In 1999, the village debt was $286 per capita and the average was $239.

The debt per capita will increase because the village intends to borrow to finance the new water supply system in 2001.

Total reserves

A municipality needs capital and operating reserves to fund its operation between tax collection dates and to make plans for major repairs or replacement of infrastructure. Sufficient reserves allow a municipality to maintain and upgrade its infrastructure without the need to borrow.

The village's total reserves have been consistently less than the average for municipalities with similar populations since 1994. In 1999, the village total reserves were $40,000, while the average for municipalities with similar populations was $66,000. However, the size of Alliance's total reserves increased by $40,000 in 2000.

The effect of not having strong reserves is that the village would need to either increase taxation or borrow, to finance major projects that have immediate need such as the new water supply and pipeline.

Expected changes if Alliance dissolves:

If Alliance were to dissolve, it would become the hamlet of Alliance within the corporate boundaries of Flagstaff County. The boundaries of Alliance would become the boundaries of the hamlet of Alliance in Flagstaff County.

Tables 1 and 2 at the end of the report show that residents would pay less tax in Flagstaff County even if utility rates are increased to make them self-sufficient. However, residents should be aware that the dissolution of the village would change how some services are delivered. The following chart shows how services are currently delivered in the village and how the county would provide the services. Residents should consider all of the information when making a decision on the dissolution of the village.

	Current situation in the village	***Situation if Alliance joins Flagstaff County***
Who would represent the residents of the village?	The village has a three-member council that sets policy, determines service levels and sets the tax rate.	The village would be part of electoral division 1 represented by the councillor for division 1. The seven members of county council would assume the duties of the former village council.
What will happen to the village office?	The village office is a single purpose building that acts as the community contact point and houses the administration.	The village office is surplus to the county's needs; however, the county would keep the municipal office open one day per week during a transition period. The transition period would provide the county with time to wind up the village affairs, make alternative arrangements for such things as utility payments, and provide the residents with information to access the county administration. Residents would receive notice when the office is to close and when the property would be offered for sale.
Where will I pay my taxes and utility bills?	The village collects taxes and utility accounts at the village office.	The county would collect the taxes and utility bills and make suitable arrangements for the residents to pay taxes and utility bills, such as paying through a local bank, before the village office is closed. Residents could also mail their tax and utility payments to the county administration office in Sedgewick.
How would I contact the administration for general inquiries or emergencies?	Residents contact their councillors in person, by phone or through attendance at a council meeting. The residents contact the administration by phone, fax or visiting the village office. The village office is the contact point for general inquiries or water and sewer emergencies during regular business hours. The village foreman handles emergencies after hours.	The county administration office in Sedgwick would provide a package of information about the county to residents at the time of dissolution, including an organizational chart, emergency and regular contact phone numbers, and how to contact the area councillor or attend a meeting of county council.
What will happen to the village	Alliance has two full-time employees who provide administrative and service delivery functions to the residents. The	The village would terminate its employees at the time of dissolution and provide the employees with severance packages comparable to the Alberta

employees?	village hires seasonal or part-time help as required and has no plans to increase staffing levels.	Public Service. The county office in Sedgwick would provide all administrative and operational functions for the residents. The county would offer to retain the former village employees for at least the transitional period to assist in winding down the village affairs and ensure continuity of service to residents.
What will happen to the debt the village has?	The village has two existing tax supported debentures that were used to upgrade the water treatment plant. The amount of outstanding debt principal was $38,248 on December 31, 2000. User fees and the general revenues of the village fund the annual principal and interest payments on the debt. These debentures will be retired in 2003. To fund its portion of the new water source and pipeline project, the village made an application to the Alberta Municipal Finance Corporation to borrow $200,000. Annual principal and interest payments for the 20-year life of the debenture will be in the order of $18,151. The village will almost certainly need to increase water utility rates by approximately $13 per month or else implement a special tax of 3.3 mills on all properties, or a combination of utility and tax increases to fund the debt payment for the new water supply and pipeline system.	Outstanding debt would transfer to Flagstaff County at the time of dissolution. However, payment of the debt would continue to be the responsibility of the former village taxpayers. To fund the annual debenture payments, the county would have to increase water utility rates by about $13 per month, or place a special tax of 3.3 mills on all Alliance properties, or else implement a combination of utility charges and tax increases. For the tax projections in this study, it is assumed that the full cost of the debenture payment for the new water supply and pipeline system will be paid through a 3.3 mill tax rate.
What would happen to the village assets and liabilities?	On December 31, 2000, the village had cash assets totalling $207,419 and liabilities of $57,245. The village also owns land, buildings and equipment for community use, resale or service delivery in addition to its cash assets. The village anticipates using about $46,500 of its cash to fund the drilling of the new water wells.	All cash, assets and liabilities of the former village would transfer to the county at the time of dissolution. The Order in Council dissolving the Village would contain a provision that money received from the village at the time of dissolution would be held in reserve and be used by the county for the benefit of the former village. The county would sell buildings, land and equipment not required by the county for municipal purposes. The Order In Council dissolving the village would contain a provision that the county hold the proceeds from the sale or disposal of any village assets before December 31, 2005, in a separate reserve for uses that would benefit the former village.

What will happen to utility rates?	The village recognizes that safe potable water, the safe treatment and disposal of sewage, and the effective handling of municipal waste are essential to the community's future and a municipal responsibility. The current residential monthly utility rate in the village is set at $45 (water $25, sewer $7, garbage $13). Revenue generated from the sale of water services did not cover the full cost of operating the system and the related debenture payments in 1999 or 2000. Any shortfall between revenues and expenditures for utilities in the village historically was funded from property taxes. The village will have to either increase water utility rates by about $18 per month ($13 of this for the new water source and pipeline project) or continue to make up the shortfall from property taxes to meet normal operational funding requirements of the water system. In either scenario, the taxpayers are paying the full cost of the utilities. Revenue generated from sewer and waste management fees was sufficient to cover operational costs during the same period.	Flagstaff County also recognizes that safe potable water, the safe treatment and disposal of sewage, and the effective handling of municipal waste are essential to the community's future and a municipal responsibility. The county does not operate any water and sewer utilities elsewhere in the county; therefore, the county would either contract those services or would offer to employ the current operator to perform the work. County policy would be to have all utilities self-sufficient, which means the users would pay the full operating, debenture and reserve contribution costs. The county would review utility rates and adjust the rates to reflect the county policy of self-sufficient utility services. Collection of municipal waste would continue and the service would be provided on a cost recovery basis.
What will happen to any taxes owing to the village?	The village had $10,202 of current property taxes unpaid and $24,212 of non-current taxes remaining unpaid at December 31, 2000. The village is proceeding with the tax recovery process on the delinquent properties.	The tax receivables would be transferred to the county as a debt owing at the time of dissolution. The county would proceed under the tax recovery process to either collect the amounts owing or obtain the title and offer the properties for sale.
Fire protection	The volunteer fire department provides fire protection in the village. Operational funding for the fire department comes from the village and fees charged for emergency responses in the county. Capital funding comes from the village, the county, and fundraising by the fire department. The village, the county and the volunteers have committed to replacing one of the existing pieces of equipment and to establish a reserve for future replacement of firefighting equipment.	The county would depend on the volunteers to continue providing the service, as the county does not have its own fire department. County policy is to charge a fee for fire department responses to county fires. The county would charge village residents for fire department responses in the same manner as county residents. The cost would be recoverable from the resident's insurance coverage in most cases. The county would continue to provide funds for the operational and capital requirements of the fire department.
Who will provide police services?	The RCMP from the Killam detachment provides policing services to the village at no cost.	The RCMP would continue to provide policing services to the former village at no cost to the county.
Who will provide	The Flagstaff Regional Ambulance Authority provides service in the village	The Flagstaff Regional Ambulance Authority would

ambulance services?	and the village pays a per capita fee to the Authority for the service.	continue to provide service to the residents.
How will snow removal and road maintenance be handled?	The village provides for the construction and maintenance of the road system. Gravel surfaced roads in the village receive an application of dust control agent as required. The village clears snow from the travelled portions of the roadway when required.	The county would assume the care, control and management of the village roadways. The basic level of service in the county is a well-maintained gravel-surfaced roadway; therefore, the village should expect the same level of service from the county. The county has 3,125 kilometres of roadway to maintain and has yet to determine the frequency of regular maintenance or the priority of snow removal that residents of the village could expect. Current policy is that dust control applications are cost shared in the county. Residents are required to pay for the cost of the dust control product and the county pays for the application. Village residents should expect to be subject to the same policy unless the county adopts a policy to the contrary. The cost of additional paving or the addition of a sidewalk would be charged to residents in the form of a local improvement tax.
Who will clear the snow from the sidewalks?	The village recently updated a bylaw making it the responsibility of the owner or the occupant of land adjacent to the sidewalk to remove snow within 48 hours.	The county would follow the same policy of making snow removal from sidewalks the responsibility of the owner or occupant of adjacent land.
Who will look after the streetlights?	ATCO owns the streetlights, while the village pays the operation and maintenance costs from general revenues. The annual cost of street lighting in the village is about $3,000 per year.	The county does not have any other hamlets within its boundaries and does not provide streetlights in high-density areas elsewhere in the county. Residents should expect to have the cost of streetlights, estimated at $2.18 per month, added to utility bills unless the county adopts a policy to the contrary.
Who will look after the cemetery?	The village owns the cemetery and the Legion provides the maintenance. It has been the responsibility of the village to keep records and sell plots for the cemetery.	The county would own the cemetery and continue to sell plots and keep the records. The county would seek to have the Legion continue the maintenance of the cemetery.
What will happen to the FCSS program?	The village is a partner with the county in the regional Family and Community Support Services (FCSS) program.	The county would continue to offer FCSS programming to the village as it does for the remainder of its residents.
What will happen to our community hall, arena and sports grounds?	The arena and community hall are on land owned by the village, and the Alliance and District Agricultural Society operate the facilities. The village owns the land where the sports grounds are located and the Lions Club provide the grass cutting and maintenance.	The county would own the land and would enter into an agreement with the current operators to have the group continue to operate the community hall and arena for the benefit of county and village residents. The county would own the land where the sports grounds are located and would seek to have the Lions Club or other volunteer organizations continue to provide grass cutting and maintenance.
Who will	The village collects the fees and provides for minor maintenance of the	The county would continue to support the trailer park at the sports grounds, but would seek a local

operate the trailer park at the sports grounds and the campground on Hwy. #36?	trailer park at the sports grounds. The recreation board operates the Hwy. #36 campground. In recent past, the village has provided no operating monies.	volunteer group to provide the minor maintenance required. The recreation board would continue to operate the Hwy. #36 campground as it has in the past.
What will happen to our municipal library?	The municipal library is in the recreation centre, which is located on land owned by the village. The library is a member of the Parkland Regional Library system, but receives no funding from the village.	The county is a member of the Parkland Regional Library system. The county would encourage the current arrangements for library services to continue.
What will happen to the museum?	The museum is on land owned by the village and is operated by the Museum Society.	The land on which the museum sits would transfer to the county at the time of dissolution. The county would consider transferring the property to the Museum Society.
What will happen to the old medical clinic building?	The village owns the land and building, which it leases to house a beauty parlour, play school, and living quarters. There is one recently entered lease for the living quarters and the leases for the remaining space expire at the end of 2001. The village has been paying the cost of utilities as part of the lease arrangement and the revenue generated from the leases has barely covered costs; however, the village expects the property to pay a return with the living quarters leased.	The county would own the building and honour the existing lease arrangements. Once the leases expire, the county would offer the property for sale.

What would happen if the village does not dissolve?

The village would continue to provide services as long as residents willingly continue to pay for them. The village has drilled new water wells and will be running a pipeline to the village for the water supply. The village cost for the new water supply will show either as increased utility costs or as increased taxes. For the purposes of the study, Tables 1 and 2 show a special 3.3 mill levy to account for the annual payments on the new debt.

Should the grain elevators close or other non-residential assessment decline, the remaining residential taxpayers will have to absorb an increasing amount of the village tax burden. The resulting rise in taxes may become increasingly difficult for residents to manage.

Table 1
Alliance Residential Tax Comparison
2001 Municipal and School Taxes

Table 1 considers three actual residential properties in Alliance and applies the 2001 village and county rates of taxation to the 2001 assessments for the properties. The results compare taxes levied on the properties if Alliance remains a village to the taxes levied if Alliance were part of Flagstaff County in 2001.

If Alliance were part of the county in 2001, the total residential tax bill would be about **60 percent lower**.

Residential Tax Rates	Alliance	Flagstaff	% Difference
Municipal	26.98	5.71	- 78.83
School Tax	5.56	5.47	- 1.6%
Special Levy for new water line (estimate) *	3.30	3.30	0.0%
TOTAL	**35.84**	**14.48**	**- 59.60%**

IF ALLIANCE REMAINS A VILLAGE:

Alliance	Assessment		Village Tax Rate			Alliance Taxes
Residence 1	$11,990	x	35.84 mills	x	0.001	= $ 430
Residence 2	$39,100	x	35.84 mills	x	0.001	= $ 1,401
Residence 3	$71,960	x	35.84 mills	x	0.001	= $ 2,579

IF ALLIANCE DISSOLVES:

Flagstaff	Assessment		County Tax Rate			Flagstaff Taxes
Residence 1	$11,990	x	14.48 mills	x	0.001	= $ 174
Residence 2	$39,100	x	14.48 mills	x	0.001	= $ 566
Residence 3	$71,960	x	14.48 mills	x	0.001	= $ 1,042

Total Reduction In 2001 Taxes	**Reduction** if Alliance had been a part of Flagstaff County in 2001	**Percent Reduction**
Residence 1	**$256**	**- 59.6%**
Residence 2	**$835**	**- 59.6%**
Residence 3	**$1,537**	**- 59.6%**

* The estimated cost of new wells and water supply line installed during the summer of 2001 will be the same cost whether Alliance remains a village or becomes a hamlet within Flagstaff County.

NOTE: While the table shows the savings for the representative residential properties in Alliance if the village were to dissolve, property taxes are not the only financial cost associated with living in Alliance that would change. Utility rates, and additional fees for services that Alliance now provides to residents that the county does not should be considered. For example, the county would charge about $2.18 per month for the cost of street lighting and a fee for dust control on the streets. These factors would all have an effect on the overall cost of living in Alliance.

Table 2
Alliance Non-Residential Tax Comparison
2001 Municipal and School Taxes

Table 2 considers three actual non-residential properties in Alliance and applies the 2001 village and county rates of taxation to the 2001 assessments for the properties. The results compare taxes levied on the properties if Alliance remains a village compared to the taxes levied on the properties if Alliance were part of the Flagstaff County in 2001.

If Alliance were part of the county in 2001, the total non-residential tax bill would be about **47 percent lower**.

Non-Residential Tax Rates	Alliance	Flagstaff	% Difference
Municipal	26.975	9.472	- 64.88%
School Tax	8.062	7.5212	- 6.7%
Special Levy for new water line (estimate) *	3.30	3.30	0.0%
TOTAL	**38.337**	**20.2932**	**47.07%**

IF ALLIANCE REMAINS A VILLAGE:

Alliance	Assessment		Village Tax Rate			Alliance Taxes
Non-residential 1	$13,840	x	38.337 mills	x	0.001	= $ 530
Non-residential 2	$28,900	x	38.337 mills	x	0.001	= $1,108
Non-residential 3	$87,790	x	38.337 mills	x	0.001	= $3,366

IF ALLIANCE DISSOLVES:

Flagstaff	Assessment		County Tax Rate			Flagstaff Taxes
Non-residential 1	$13,840	x	20.2932 mills	x	0.001	= $ 281
Non-residential 2	$28,900	x	20.2932 mills	x	0.001	= $ 586
Non-residential 3	$87,790	x	20.2932 mills	x	0.001	= $ 1782

Total Reduction In 2001 Taxes	**Reduction** if Alliance had been a part of Flagstaff County in 2001	**Percent Reduction**
Non-residential 1	**$249**	**- 47 %**
Non-residential 2	**$522**	**- 47 %**
Non-residential 3	**$1,584**	**- 47 %**

* The estimated cost of the new wells and water line installed during the summer of 2001 will be the same cost whether Alliance remains a village or becomes a hamlet within Flagstaff County.

NOTE: While this table shows the savings for representative non-residential properties in Alliance if the village were to dissolve, property taxes are not the only financial cost associated with owning property in Alliance that would change. Utility rates and additional fees may for services that Alliance now provides to property owners that the county does not should be considered. For example, the county would charge about $2.18 per month for the cost of street lighting and a fee for dust control on the streets. These factors would all have an effect on the overall cost to property owners in Alliance.

Next step:

A public meeting to discuss the dissolution is set for Tuesday, September 11, 2001, at 7 p.m., in the Alliance Community Hall. All village residents are encouraged to attend. Officials from the village, Flagstaff County, and Alberta Municipal Affairs will be available to discuss the report and answer your questions.

Residents will vote on the question of whether or not to dissolve the Village of Alliance into Flagstaff County on Friday, September 14, 2001 from 10 a.m. to 8 p.m. in the Alliance Recreation Center.

The question on the ballot will be:

"Do you wish the Village of Alliance to dissolve and become part of Flagstaff County?"

Alberta Municipal Affairs will run the vote in accordance with the Local Authorities Election Act.

This report, the issues raised at the public meeting, and the results of the vote will aid the Minister in determining whether or not to recommend dissolving Alliance.

If the Minister recommends dissolution and Cabinet agrees, the present village council and administration will work with Flagstaff County to wind up the village's affairs by the recommended dissolution date of December 31, 2001.

For further information contact:

Terry Brown or Terry Broome at Alberta Municipal Affairs toll-free by dialling 310-0000 and asking to be connected to 427-2225 or Laura Towers in the village office at 879-3911.